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LOGISTICS EXCELLENCE

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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

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More and more shippers have realized that their competitiveness in the marketplace depends on the performance of the carriers they use. Most transportation managers today are choosing their carriers on the basis of strict quality measurements. DISTRIBUTION's Quest For Quality program is designed to encourage such measurements by shippers.

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EDITORIAL STAFF

THOMAS A. FOSTER, ESQ. – Editorial Director
(215) 964-4379

JAY GORDON – Managing Editor
(215) 964-4385

E.J. MULLER – Senior Editor (West Coast)
(415) 769-0884

THERESA M. STELTZER – Senior Editor
(215) 964-4381

SHARON STRUCKUS – Associate Editor
(215) 964-4387

EMILY BARR – Production Manager
(215) 964-4384

CONTRIBUTING EDITORS

JOSEPH V. BARKS (215) 964-4385
JOHN BETZ (303) 422-4959
ROBERT J. BOWMAN (415) 752-4884
KURT HOFFMAN (301) 762-8250
STANLEY HOFFMAN (203) 790-4195
S. JAMES SEEDS (312) 559-2990
ROBERT VIDRICK (804) 740-3933
WALLY WEART (312) 307-8808
SY ZIVAN (716) 423-3643

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LOGISTICS

The nation's shippers select their quality carriers and vendors, those who set the standard for logistics excellence.

A Staff Report

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EXCELLENCE

Attitude. All things being equal – and even sometimes when all things aren't – shippers will select carriers based on their attitude toward the shipper's business.

"There are some carriers where, from the rate clerk, to the dispatcher, to the sales rep, to the president, their attitude is, 'How can we help you?' " says Donald Broughton, traffic analyst, Dr. Pepper 7-Up. "With other carriers it's like, 'Well, you've got a problem all right.' "

Dennis Tingle, distribution manager for A&W Brands, says attitude was a big reason he gave considerably lower marks to one national LTL carrier than its competitors. "I have found a definite attitude problem in that company," he says. "I am using them by necessity." Claims handling and shipment tracing, says Tingle, are two problem areas in which the carrier's approach alternates between "So what?" and "What are you bothering us for?"

Often the most visible evidence of the carrier's attitude is the way its salespeople respond to the shipper's questions and problems. "It's night and day with the salespeople I have to deal with," says Jeff Schubert, traffic manager at Filterite. "One carrier rep is available 24 hours a day if I need him. He has a car phone, a pager and an answering service. I get call backs, and results, within minutes. Most other salespeople evaporate if they know I have a problem."

Attitude was perhaps the most prominent theme among shippers contacted as part of DISTRIBUTION's sixth annual Quest For Quality program. More than 1,900 shippers participated in the 1989 program, rating the carriers they use regularly according to four key measurements of transportation quality: service, convenience, price and sales effectiveness. The scores on the following pages are based on shipper ratings ranging from 0 (unacceptable) to 5 (outstanding). A complete explanation of the survey's methodology appears on page 50.

In the six years that DISTRIBUTION has been conducting this survey, more and more shippers have realized that their competitiveness in the marketplace depends on the performance of the carriers they use. Because the carrier selection process is so important to shippers today, most transportation managers are choosing their carriers on the basis of strict quality measurements. DISTRIBUTION's Quest For Quality program is designed to encourage such measurements by shippers. In addition, Quest For Quality recognizes those transportation companies that have:

- Identified shippers' needs and developed truly innovative services to meet these needs.
- Performed these services reliably and consistently with essential follow-up.
- Trimmed operating costs to be able to offer the services at reasonable, affordable prices.
- Made doing business with them convenient.
- Sold their service after learning about the shipper's business.
- Kept customers informed about the transportation company's capabilities.

Our Quest For Quality program is also designed to educate the shipper. Logistics managers who appreciate total quality in their carriers and vendors make better buying decisions. They also better understand the importance to themselves and to the industry of dealing fairly and professionally with carriers.

DISTRIBUTION'S 1989 QUALITY CARRIERS

NATIONAL LTL CARRIERS
Consolidated Freightways
Roadway Express
Yellow Freight System

REGIONAL LTL CARRIERS
Northeast & Mid-Atlantic
A. Duie Pyle
Con-Way Eastern Express
Lyons Transportation
Preston Trucking

REGIONAL LTL CARRIERS
Midwest
Alvan Motor Freight
Arkansas Freightways
TNT Holland

REGIONAL LTL CARRIERS
Rocky Mountain West Coast
Con-Way Western Express
DiSalvo Trucking
NW Transport

REGIONAL LTL CARRIERS
Southeast
AAA Cooper
Averitt Express
Con-Way Southern Express
Saia Motor Freight
Southeastern Freight Lines

TRUCKLOAD CARRIERS
Dart Transit
Marten Transport
Schneider National
Werner Enterprises

FLATBED & SPECIALIZED TRUCKLOAD CARRIERS
Schneider National

BULK TRUCKLOAD CARRIERS
Schneider National

VAN LINES-HOUSEHOLD GOODS MOVEMENTS
United Van Lines

VAN LINES-SPECIALIZED DISTRIBUTION
United Van Lines

MAJOR RAIL SYSTEMS
Union Pacific Railroad

REGIONAL RAILROADS
Wisconsin Central

INTERMODAL OPERATORS & STACK TRAIN SERVICES
American President Intermodal

RAIL THIRD PARTIES
Clipper Exxpress
The Hub Group
Manufacturers Consolidation

PASSENGER/CARGO AIRLINES
Air France
Alaska Airlines
KLM Royal Dutch Airlines
Swissair Transport

CONVENTIONAL AIRFREIGHT FORWARDERS
Intertrans
Lynden Air Freight
Pilot Air Freight
Seko Air Freight

WATER CARRIERS
Act PACE
Columbus Line
Crowley Maritime-Amtrans
Hapag Lloyd
Maersk Line
Mitsui O.S.K.
NYK Line
OOCL
Trans Freight Lines

DEEP WATER PORTS
Charleston, S.C.
Oakland, Calif.
Savannah, Ga.
Seattle, Wash.
Tacoma, Wash.
Virginia Ports

DISTRIBUTION's designation of these companies as Quality Carriers means that each has received above average ratings in all four performance categories for its group. No company with a rating lower than 3.00 (just acceptable performance) in any category qualified as a Quality Carrier.

NATIONAL LTL CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.30**	**3.31**	**3.23**	**3.03**
ABF	3.26	3.29	2.99	2.83
ANR	2.96	3.02	**3.28**	2.80
Brown Transport	2.87	2.91	**3.28**	2.67
Carolina Freight Carriers	3.24	3.20	3.07	2.87
Clipper Exxpress	2.98	2.89	2.96	2.89
Consolidated Freightways	**3.65**	**3.71**	**3.48**	**3.52**
Lifschultz Fast Freight	2.62	2.42	2.34	1.83
Overnite Transportation	**3.34**	3.22	**3.35**	2.92
P.I.E. Nationwide	2.91	2.96	3.05	2.70
Roadway Express	**3.47**	**3.50**	**3.30**	**3.13**
Skyway Freight Systems	**3.57**	3.26	2.74	2.86
Transcon Lines	2.88	2.92	2.98	2.70
Watkins Motor Lines	**3.41**	3.22	3.17	**3.03**
Yellow Freight System	**3.67**	**3.70**	**3.40**	**3.45**

REGIONAL LTL CARRIERS—NORTHEAST/MID-ATLANTIC				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.44**	**3.30**	**3.16**	2.98
AAA Trucking	2.96	2.79	3.05	2.72
APA Transport	3.31	3.09	2.97	2.84
A. Duie Pyle	**4.23**	**4.06**	**3.60**	**3.66**
Con-Way Eastern Express	**3.57**	**3.39**	**3.22**	**3.12**
Estes Express	**3.78**	**3.42**	3.05	2.83
Guaranteed Overnite Delivery	**3.53**	2.85	2.82	2.34
Holmes Transportation	3.24	3.20	**3.27**	2.84
Lyons Transportation	**3.46**	**3.30**	**3.28**	**3.46**
New England Motor Freight	3.13	2.82	2.93	2.59
New Penn Motor Express	**3.55**	**3.39**	2.98	**3.15**
North Penn Transfer	2.94	2.79	2.66	2.52
Preston Trucking	**3.65**	**3.58**	**3.41**	**3.35**
St. Johnsbury	3.34	**3.43**	**3.22**	2.89
TNT Red Star	3.34	**3.34**	3.07	**3.00**
Ward Trucking	**3.64**	3.19	**3.24**	2.77

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

LTL MOTOR CARRIERS

Scores for national LTL carriers have remained extremely consistent over the past several years. The Big Three again lead the way. "It's a strange phenomenon," says Dennis Tingle, distribution manager for A&W Brands. "They have so many terminals, so many trucks on the road, that they can perform services in areas that smaller carriers can't. The fact that they are so big, they're always in the public spotlight, and they have big advertising budgets, they pop into our (shipper's) collective minds more easily."

A key factor mentioned by many shippers is the carrier's response to problems. Don Broughton, traffic analyst for Dr. Pepper 7-Up, gave one carrier all 5s, another all 0s. One carrier "seems to be befuddled all the time. They inevitably screw up nine out of 10 bills, and that takes up a rate clerk's time." The other carrier doesn't make many mistakes, "but when they do, they fall all over themselves trying to correct it."

Tingle tells the story about a driver for a big national carrier who waited until Tingle was away answering the phone before unloading a damaged piece of freight and then surrounding it with undamaged cartons. Tingle, who had been supervising the unloading process, counted the cartons and then signed for the shipment. He was furious when he discovered what had happened, and when several months passed before a claim was settled, he vowed not to use the carrier if he could help it.

Another carrier Tingle uses "isn't afraid to admit it made a mistake." When a problem does occur, he is able to work with the carrier to correct it. Ultimately, this is a far better policy. Says Tingle: "I don't like to be blindsided by one of my customers or by someone from corporate in New York, who hears about a problem and then calls me up and says, 'Why weren't you on top of this?' "

REGIONAL LTL CARRIERS – MIDWEST				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.65**	**3.43**	**3.27**	**3.11**
Advance Transportation	3.45	3.28	**3.39**	2.83
Alvan Motor Freight	**4.00**	**3.58**	**3.37**	**3.26**
Arkansas Freightways	**3.95**	**3.66**	**3.67**	**3.31**
Central Transport	3.37	3.16	**3.32**	2.96
Churchill Truck Lines	3.53	3.32	3.12	3.01
Con-Way Central Express	**4.15**	**3.79**	3.16	**3.39**
Fore Way Express	3.59	3.39	**3.34**	**3.27**
Gross Common Carrier	3.56	3.37	3.23	3.05
Hyman Freightways	3.32	3.15	3.18	**3.11**
Jones Transfer	3.09	3.03	2.88	2.38
Jones Truck Lines	3.45	3.38	3.20	3.07
O.K. Trucking	3.32	3.12	3.06	2.83
TNT Holland	**4.12**	**3.84**	**3.43**	**3.35**

REGIONAL LTL CARRIERS – SOUTHEAST				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.60**	**3.43**	**3.34**	**3.13**
AAA Cooper	**3.69**	**3.53**	**3.37**	**3.22**
Averitt Express	**4.18**	**3.72**	**3.36**	**3.49**
Con-Way Southern Express	**3.87**	**3.61**	**3.50**	**3.27**
Old Dominion Freight	3.27	3.30	**3.43**	**3.14**
Sala Motor Freight	**3.83**	**3.60**	**3.40**	**3.23**
Smalley Transportation	2.91	2.91	2.91	2.55
Southeastern Frt. Lines	**4.06**	**3.77**	**3.43**	**3.36**
Spartan Express	3.32	3.20	3.25	2.96
Standard Trucking	3.51	**3.43**	3.28	3.08
Transus	3.45	3.41	**3.43**	**3.13**

REGIONAL LTL CARRIERS – SOUTH CENTRAL				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.52**	**3.37**	2.74	2.46
Central Freight Lines	**3.67**	**3.46**	2.55	2.33
Merchants Fast Motor Frt.	**3.55**	**3.43**	2.95	2.55
Red Arrow Freight Lines	3.06	3.03	2.84	2.63

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

LTL MOTOR CARRIERS

There is a down side to bigness, and shippers are quick to point out the advantages of regional carriers. For example, large carriers lack the flexibility of their regional brethren. Dennis Tingle, distribution manager for A&W Brands, says that he routes unusually time-sensitive shipments to smaller carriers he knows will give him more personalized service.

"They know they're competing against the Big Three," he says, "and they try a little harder." They're also charging more, but that doesn't seem to bother shippers; pricing scores are up. The notion that shippers are willing to pay more for better service may go beyond lip service.

"One of our carriers has fantastic pricing and adequate service, the other has adequate pricing and fantastic service. *They* get the business," says Don Broughton, traffic analyst for Dr. Pepper/7-Up. "All the bottom line chopping in the world doesn't help me if a plant manager calls the vice president of operations because his raw materials aren't there. I may have saved him $300 on the move, but he doesn't want to hear it."

Carriers also seem to be progressing in the quality of their sales efforts. "Old school people used to throw a routing guide on your desk and say, 'What can I do for you?' " says Lynda Neumann, supervisor, distribution services for Betz Entec. "Or a guy would call on me one day, and the next day he'd be back, working for a different carrier. How much can he know about that carrier's service? But salesmen today are much better trained and more professional."

While many shippers agree with Neumann, others lodge seemingly perennial complaints. "I don't have contempt for (sales reps), in fact I respect them," says Don Broughton. "But 90 percent of the time I have to educate them. I have to ask them what lanes *they* need filled."

REGIONAL LTL CARRIERS – ROCKY MOUNTAIN/WEST COAST				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.51**	**3.37**	**3.09**	2.92
Con-Way Western Express	**3.73**	**3.59**	**3.30**	**3.00**
DiSalvo Trucking	**3.51**	**3.43**	**3.36**	**3.11**
Edson Express	3.26	3.04	**3.11**	2.48
G.I. Trucking	3.01	2.92	2.89	2.58
NW Transport Service	**4.07**	**3.88**	**3.53**	**3.54**
Superior Fast Freight	3.23	2.95	2.59	2.50
TNT Bestway	3.11	3.19	3.06	2.71
Viking Freight	**3.65**	**3.50**	2.94	2.95

LTL CARRIERS – CANADA/U.S. TRANSBORDER				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.47**	**3.29**	**3.22**	2.83
Chi-Can Forwarding	3.43	**3.40**	**3.51**	2.86
Inter-City Truck Lines	**3.54**	3.21	3.17	2.96
Kingsway Transport	3.39	**3.36**	3.11	2.86
TNT Overland Express	**3.54**	3.17	3.06	2.68

SURFACE EXPRESS CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.33**	**3.33**	**3.25**	2.11
Roadway Package System	3.00	3.29	**3.62**	**3.00**
United Parcel Service	**3.82**	**3.67**	**3.37**	2.22
U.S. Postal Service	2.64	2.71	2.80	1.22

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

LTL AND EXPRESS CARRIERS

This is the first year Quest For Quality has broken out LTL carriers by region, so trend spotting is dangerous. Still, there were differences in scores among the regions; carriers in the South and the Midwest generally scored higher than did carriers in the Northeast.

Some shippers feel this is indeed a reflection of the region's way of doing business. "I prefer to deal with the southern motor carriers. They seem to have that southern hospitality," says Lynda Neumann, supervisor, distribution services for Betz Entec, which has a distribution center in Memphis. With a southern carrier, she says, "I can deal with a small terminal in Texas and get the same service and attention there as I do in Memphis, where they know us."

"I love doing business with the carriers in the South because they don't get excited about too much," adds Dennis Tingle, distribution manager for A&W Brands in Modesto, California. "Of course, sometimes I'd like them to get a *little* more excited...." Most shippers, however, assign regional differences to two factors: geographics and demographics. Dan Suarez, transportation manager, Intelligent Electronics, puts it quite succinctly: "Have you ever been to New York? *I'd* never want to drive there."

The battle in the highly competitive surface express category continues. Getting a fix on the dogfight between these carriers is tough, though. Suarez says the service with one carrier is not much better than that of another. One of his carriers does have bar coding, which makes it easier to track and trace shipments when they get lost – and his get lost just as often with one carrier as the other. One carrier also offers him a discount, and its sales people are more professional, more knowledgeable, and respond quicker to questions and concerns, he adds.

TRUCKLOAD MOTOR CARRIERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.40**	**3.31**	**3.21**	2.77
Anderson Trucking	**3.50**	3.11	**3.28**	2.44
CRST	3.16	2.97	3.17	2.68
CX Roberson	3.38	3.00	2.64	1.70
Carretta Trucking	**3.46**	3.30	2.46	2.77
Contract Freighters	**4.21**	**3.62**	3.00	2.93
Country Wide Truck Service	2.71	2.50	**3.31**	2.11
Crete Carriers	**3.68**	**3.33**	3.19	2.81
Dart Transit	**3.65**	**3.52**	**3.45**	**3.29**
Frederick Transport	**3.46**	3.09	**3.58**	2.62
Freymiller Trucking	**3.70**	3.20	**3.70**	2.92
Gemini Transportation	3.00	3.00	**3.24**	2.17
Heartland Express	**3.40**	3.13	3.13	**3.20**
Independent Freightways	2.95	3.05	2.75	2.62
J.B. Hunt	**3.56**	**3.46**	**3.39**	2.91
Leaseway Transportation	2.80	2.88	3.00	2.20
Missouri Nebraska Express	**3.50**	**3.56**	**3.47**	2.84
M.S. Carriers	**3.63**	**3.33**	2.84	2.92
Marten Transport	**3.47**	**3.36**	**3.29**	**3.19**
McClendon Trucking	**3.60**	**3.63**	3.10	**3.00**
Munson Transportation	**3.43**	**3.35**	3.19	2.95
National Freight	3.08	**3.64**	2.92	2.52
P.A.M. Transport	3.37	**3.47**	**3.58**	2.56
Ranger Transportation	**3.60**	**3.53**	3.05	2.67
Riss International	**3.50**	3.11	3.11	2.91
Roadrunner Trucking	3.27	3.24	**3.38**	2.57
Ryder Freight System	2.71	2.90	2.90	2.14
Schneider Transport	**3.65**	**3.62**	**3.46**	**3.52**
Stoops Express	3.26	3.17	**3.26**	**3.08**
Tri-State Motor Transit	3.18	**3.36**	3.00	1.67
Werner Enterprises	**3.55**	**3.54**	**3.57**	**3.16**
Whiteford Truck Lines	3.29	3.06	3.00	2.72

FLATBED AND SPECIALIZED CARRIERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.58**	**3.36**	**3.19**	2.79
Builders Transport	**3.62**	**3.46**	**3.26**	2.85
Jones Motor	**3.83**	3.17	3.00	2.43
Ligon Nationwide	3.06	3.00	2.81	2.53
PFT Roberson	**4.00**	3.33	**3.56**	2.80
Schneider National	**3.73**	**3.67**	**3.33**	**3.14**

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

TRUCKLOAD CARRIERS

High service is what shippers expect from TL carriers. "If I don't get my cotton every day on time, my plant shuts down," says Jeff Schubert, traffic manager of Filterite. "I'm very careful about how I pick these companies." The demanding attitude of shippers is reflected in the gulf between outstanding scores for so-called high service carriers and fairly low scores given to other truckload carriers.

"We have to use the larger TL carriers because they have enough equipment for us and they have better control over their whole business," says William G. Ditoro, director of transportation for Nabisco Brands. "That makes these carriers easier for us to manage. No large shipper these days has enough staff to look at many small carriers on a lane-by-lane basis."

Mary Lou Halsey, traffic manager for American Moulding & Millwork, says she knows how to pick the good TL carriers from the also-rans. "If you can consistently get 24-hour pickups at the end of the month from a TL carrier, you can be sure it knows how to provide service," she says.

Schubert has his own criteria. "Our inbound traffic comes from many remote origins, so we look for truckload carriers that can provide wide coverage," he says. "That generally means using large carriers with equipment all over the country. I'm not interested in carriers that just focus on the big origin points."

In the flatbed sector, equipment supply is the key concern. "The main reason we would drop a carrier is failure to supply equipment it has committed to," says Gary Daniska, transportation consultant for McDermott Inc. "There are only a few flatbed operators that can consistently follow through on their promises of equipment where and when we need it. These carriers get practically all of our business."

VAN LINES – HOUSEHOLD GOODS CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.75**	**3.72**	**3.63**	**3.56**
Allied Van Lines	3.61	3.58	**3.65**	3.42
Atlas Van Lines	**3.92**	**3.85**	3.38	**3.77**
Bekins Van Lines	3.45	3.55	3.27	3.50
Mayflower Transit	3.60	3.07	3.40	2.87
North American Van Lines	3.48	3.64	**3.76**	3.55
United Van Lines	**4.11**	**4.07**	**3.64**	**3.63**

VAN LINES – SPECIALIZED DISTRIBUTION CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.73**	**3.75**	**3.44**	**3.21**
Allied Van Lines	3.54	3.31	3.31	2.31
Bekins Van Lines	3.40	**3.80**	3.40	3.10
Mayflower Transit	**3.89**	**3.78**	3.33	2.89
North American Van Lines	3.63	**3.77**	**3.50**	**3.46**
United Van Lines	**4.13**	**3.94**	**3.47**	**3.44**

TEMPERATURE-CONTROLLED CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.40**	**3.16**	2.87	2.63
Frozen Food Express	3.20	3.00	2.60	2.80
KLLM	**4.00**	**3.70**	**3.09**	2.73

BULK CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.62**	**3.55**	**3.13**	2.86
Chemical Leaman	3.59	**3.57**	3.10	2.59
DSI Transports	**3.75**	3.43	**3.29**	**3.13**
Groendyke Transport	3.60	3.50	2.50	**3.00**
Matlack	3.28	3.29	2.65	2.52
Montgomery Tank Lines	3.10	3.20	**3.20**	2.20
Schneider National	**4.27**	**4.00**	**3.90**	**3.73**

CRITICAL SHIPMENT CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**4.21**	**3.80**	2.95	2.91
PST, Inc.	3.00	3.15	**3.38**	**3.00**
Roberts Express	**4.58**	**4.14**	2.74	2.95

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

TRUCKLOAD CARRIERS

Van lines know how to please shippers. Household goods carriers enjoy the highest overall scores of any Quest For Quality category.

"Household goods are emotional freight," says William G. Ditoro, director of transportation for Nabisco Brands. "The carriers know that tempers will flare if the service is not perfect." The sales scores for the HHG carrier groups are the highest recorded in our entire survey. "All the people I deal with at the HHG carriers are very aggressive and stay on top of a problem until it is taken care of," says Ditoro. The real secret of these carriers, Ditoro says, is the strong "back room" people he talks to on the phone but never sees. "The customer service people at these carriers know how to make things happen to solve problems immediately. I usually don't have to see a salesperson. If one shows up in my office, I know there's a problem."

"There is probably more difference in overall quality among the van lines in the general freight business than any other type of transportation," says Gary Daniska, a consultant for McDermott Inc. "A few carriers are terrific on pickups. Others are more interested in filling up their vans than in providing service."

The highest service numbers reported by shippers go to a select group of critical shipment carriers which specialize in immediate pickups and dedicated vehicles.

"When my boss tells me on Friday afternoon to 'work a miracle,' these are the guys I call," says Jack Reddy, director of transportation for PMI Food Equipment. "One-third of our business is special order machines, and every once in a while a little slip in the production schedule puts our backs against the wall on a shipment the customer must have immediately. These carriers will get your chestnuts out of the fire – for a price."

MAJOR RAIL SYSTEMS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.19**	**3.02**	2.86	2.68
Burlington Northern	**3.77**	**3.56**	**3.25**	2.88
CSX	2.96	2.83	2.90	2.78
Canadian National	3.11	2.95	2.63	2.85
Canadian Pacific	3.18	3.00	2.88	2.98
Chicago & North Western	2.92	2.77	2.70	2.34
Conrail	**3.47**	**3.04**	2.75	2.43
Denver & Rio Grande	**3.40**	**3.25**	2.95	2.82
Grand Trunk Western	3.00	2.94	2.91	2.41
Illinois Central	2.68	2.63	2.74	2.00
Norfolk Southern	**3.22**	**3.07**	2.67	2.96
Santa Fe Railway	**3.44**	**3.13**	2.84	2.81
Soo Line/Milwaukee Road	2.96	2.80	**3.03**	2.70
Southern Pacific	2.72	2.67	2.59	2.29
Union Pacific	**3.39**	**3.37**	**3.07**	**3.02**

REGIONAL RAILROADS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.16**	**3.05**	2.94	2.43
Boston & Maine	1.25	1.68	1.76	0.65
Delaware & Hudson	1.52	1.78	1.96	1.05
Florida East Coast	**4.10**	**3.81**	**3.41**	2.96
Green Bay & Western	**3.35**	**3.31**	**3.06**	2.69
Iowa Interstate	**3.23**	3.04	**3.29**	2.15
Kansas City Southern	**3.23**	**3.05**	2.84	2.80
Midsouth Rail	**3.35**	**3.16**	**3.05**	2.68
Montana Rail Link	**3.36**	**3.10**	**3.20**	2.33
Wisconsin Central	**3.91**	**3.68**	**3.51**	**3.24**

RAILCAR BUILDERS & LESSORS	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.39**	**3.30**	**3.19**	**3.27**
ACF	**3.79**	**3.52**	3.04	**3.35**
GATX	**3.54**	**3.35**	**3.38**	3.19
GE Railcar	3.07	2.96	3.03	**3.28**
Itel/Pullman	3.00	3.25	3.13	3.20
Trinity	2.89	3.00	**3.44**	2.89
Union Tank Car	**3.47**	**3.44**	3.11	3.22

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

RAIL CARRIERS

Shippers want convenient transit times and on-the-spot rate commitments from the major rail carriers. "The smaller railroads are particularly good about giving you instant rates," says Andrew Moriarty, transportation manager for Wickes Lumber Co. "There is none of the bureaucracy and long delays that the railroads have long been known for."

While several carriers received high scores, especially for service, average scores in all categories were lower than last year's. Debera Hinchy, buyer of transportation services for Inland Steel Co., says this downward trend has been going on for about a year. "The railroads do not have the resources or manpower to meet the needs of their customers," she says.

Moriarty praises those railroads with specialists in each major market or commodity. "I'd like to see all railroads operate their pricing and marketing this way," he says.

The most notable decline in our survey was in pricing. Shippers generally perceive a value gap between the prices they pay and the service they receive. "We don't feel like competitive pricing is there the way we do with trucking," says Dennis Todd, traffic manager, wood products for the Federal Paper Board Co.

This is the first year DISTRIBUTION broke out results for regional rail carriers. Scores varied widely, indicating great differences in shipper satisfaction with this burgeoning industry. "The desire is there to do their job well, but most need more people and equipment to do the job we want," says Leanna Simmons, rail coordinator for Petrolane.

Railcar builders and lessors also experienced lower overall scores this year. Hinchy says this could be due to tightness in the car market. "Often equipment was not available or in the condition we are used to," she says.

INTERMODAL OPERATORS & STACK TRAIN SERVICES				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.34***	***3.13***	***3.30***	*2.72*
Am. President Intermodal	***4.12***	***3.78***	***3.52***	***3.48***
Burlington Northern	***3.50***	*3.12*	*3.12*	*2.62*
CSL Intermodal	***3.35***	***3.25***	*3.15*	*2.93*
Hanjin Lines	*2.58*	*2.31*	***3.38***	*2.38*
Iowa Interstate	*2.70*	*2.30*	*3.10*	*1.80*
Rail Bridge (K Line)	*3.00*	*2.83*	*3.16*	*2.47*
Maersk	*3.28*	***3.32***	*3.79*	*2.82*
Mitsui O.S.K. Lines	*2.83*	*2.17*	*3.08*	*1.77*
NYK Line (Centex)	*2.88*	*2.63*	***3.71***	*1.76*
OOCL	*3.00*	*3.07*	*3.14*	*2.21*
Santa Fe	***3.44***	***3.36***	*3.24*	***3.12***

RAIL THIRD PARTIES				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.08***	*2.96*	*2.96*	*2.72*
Am. President Dist. Services	***3.12***	***3.00***	***3.04***	*2.93*
Alliance Shippers	*2.76*	*2.63*	*2.84*	*2.27*
CF Truckload Service	*3.00*	*2.70*	*2.55*	*1.82*
Clipper Exxpress	***3.36***	***3.25***	***3.17***	***3.17***
Genex Terminals	*3.00*	***3.18***	*2.64*	*2.55*
Greater South Traffic	***3.16***	*2.76*	***3.04***	*2.88*
The Hub Group	***3.67***	***3.77***	***3.43***	***3.36***
ITOFCA	*3.26*	*3.28*	*3.07*	*2.88*
Manufacturers Consolidation	***3.71***	***3.63***	***3.63***	***3.56***
Riss International	*2.73*	*2.30*	*2.80*	*2.30*

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

RAIL CARRIERS

Intermodal operators have been healthy from a service standpoint, with more services being provided nationwide. Jay Farrell, director of logistics for CPC International, hopes that intermodal continues to evolve, because he believes it will become the primary mode of transportation for merchandise traffic in the future.

For third parties moving product on a door-to-door basis, scores remain significantly higher than for the railroads themselves. "Railroads don't seem to have as much knowledge about selling their services as do the third parties," says Farrell. He sees the third parties as specialists in selling. "They're more innovative and seem to know the marketplace better than the railroads do."

John Colasso, manager of international transportation for Nestle Trading Corp., gives high marks to the few rail third parties doing a good job. "Today, for a third party to survive, it needs a high quality of service, the ability to negotiate contracts with the railroads and with the origination and destination truckers, and a staff capable of monitoring schedules for shippers," he says.

Shippers also say flexibility is a key factor. "Most railroads don't offer competitive piggyback rates, but third parties do," says Donna Gault, transportation manager for Treesource. "They look at all the possible ways of doing the job and they work very hard at a competitive agreement, because they're competing against another third party to get the business."

Colasso believes that rail consolidators are trying to emphasize that the scheduled service is there and that you can move freight by rail as if it were a truck service. "The more and more sophisticated the rail system becomes, the more efficient and economical the piggyback rates will be," he says.

PASSENGER/CARGO AIRLINES

	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.39***	***3.32***	***3.23***	*2.55*
Air Canada	*3.05*	*3.20*	*3.15*	*1.85*
Air France	***3.61***	***3.44***	***3.56***	***3.11***
Alaska Airlines	***4.20***	***3.90***	***4.10***	***3.30***
Alitalia	*2.80*	*2.90*	*3.10*	*2.20*
American Airlines	***3.41***	***3.49***	***3.34***	*2.71*
British Airways	*3.32*	*3.05*	*2.95*	*2.28*
Continental Airlines	*2.52*	*2.60*	*3.12*	*1.96*
Delta Airlines	***3.90***	***3.67***	***3.27***	*2.73*
Eastern Airlines	*2.91*	*3.27*	*3.06*	*2.33*
Japan Air Lines	***4.00***	***3.56***	***3.65***	*2.81*
KLM	***3.92***	***3.54***	***3.42***	***3.17***
Korean Airlines	*3.36*	***3.64***	***3.27***	*2.45*
Lufthansa	***3.97***	***3.79***	***3.47***	*2.94*
Northwest	*2.91*	*2.75*	*2.78*	*1.53*
Pan American	*1.85*	*2.58*	*2.25*	*1.83*
Piedmont	*3.30*	*3.30*	*3.13*	*2.50*
Qantas	*3.30*	*3.10*	***3.30***	*2.60*
SAS (Scandinavian Airlines)	***3.58***	***3.42***	*3.00*	*2.50*
Swissair Transport	***4.17***	***4.08***	***3.83***	***3.33***
TWA	*3.26*	*3.19*	***3.27***	*2.39*
United Airlines	***3.45***	*3.35*	*3.20*	*2.54*
USAir	*3.38*	*3.10*	*2.72*	*2.21*

ALL CARGO AIRLINES/FORWARDERS WITH AIRCRAFT

	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.53***	***3.52***	***3.20***	*2.62*
Airborne Express	*3.43*	*3.38*	***3.35***	*2.27*
Burlington Air Express	*3.23*	*3.19*	*3.20*	***3.01***
CF AirFreight	*3.36*	*3.40*	*3.22*	***3.45***
Emery Worldwide	*2.87*	*3.09*	*2.91*	*2.34*
Federal Express	***4.34***	***4.21***	*3.08*	*2.75*
Flying Tigers	*3.08*	*2.99*	*3.10*	*2.55*
Nippon Cargo Airlines	*3.36*	*3.09*	*3.27*	*2.60*
United Parcel Service	***3.75***	***3.75***	***3.56***	*2.16*

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

AIR CARRIERS

Combination passenger/cargo carriers showed an upswing in pricing and sales scores this year. Airline sales forces are doing more direct selling to shippers, but shippers aren't yet convinced that the airlines are ideal partners.

"Some airlines just pay lip service to quality," says Jim Davis, traffic manager for Spectradyne, Inc. "They sell a time-definite service without systems really geared for it. They may be able to offer the real thing soon, but now it's mostly hype."

The all-cargo airlines and forwarders with aircraft group has maintained consistently high levels of service. The absence of a Quality carrier in this group is due, no doubt, to the price shippers pay for these premium services. But nobody complains too much about the service. "When we have to have something, that's all there is to it," says David Reinerth, traffic supervisor for GMF Robotics. "We pay the price."

Still, price is a sticking point. "If they can't compete with the top air express carriers on service," says Michael Flagg, distribution manager, Aster Publishing Corp., "then they'd better drop their prices."

One thing everybody agrees on is that this group has turned up the heat on its sales efforts. "Six months ago it seemed like every rep was calling at once," recalls Flagg. Some well-established companies, though, scored low in sales. "There's not much need to see a sales rep," says Ken Henin, distribution manager, Newell Home Hardware, "if the service speaks for itself."

Frequent airfreight users recommend looking beyond the sales force to determine a carrier's quality. "I've been to the hubs," Davis notes, "and I've seen the equipment and the attitudes. I want to know that the people who have their hands on my freight, not the ones shaking my hand, care about their work."

CONVENTIONAL AIRFREIGHT FORWARDERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.32***	***3.16***	***3.01***	*2.86*
Air Express Int'l/Pandair	*3.29*	*2.90*	*2.92*	*2.88*
Amerford Int'l	*2.81*	*2.70*	*2.85*	*2.48*
Associated Air Freight	***3.45***	***3.27***	*2.82*	*2.45*
Circle Air Freight	*3.20*	*3.09*	*2.83*	*2.50*
Danzas Air	*2.73*	*2.55*	*2.09*	*2.09*
Fritz Airfreight	*3.17*	***3.25***	*2.67*	***3.25***
Intertrans	***3.92***	***3.92***	***3.23***	***3.46***
Kintetsu World Express	***3.63***	***3.54***	***3.25***	*2.96*
Kuehne & Nagel	*2.83*	*2.57*	*2.87*	*2.35*
LEP/Profit Freight System	*3.18*	*3.08*	***3.30***	***3.00***
Lynden Air Freight	***4.06***	***3.94***	***3.76***	***3.65***
MSAS Cargo Int'l	***3.40***	***3.20***	***3.35***	*2.90*
Nippon Express	*3.12*	*3.13*	*2.81*	***3.06***
Northern Air Freight	*3.00*	*2.96*	*2.96*	*2.71*
Panalpina	*3.26*	***3.17***	*2.77*	*2.43*
Pilot Air Freight	***3.55***	***3.37***	***3.17***	***3.21***
Right-O-Way, Inc.	*3.13*	*3.00*	*2.73*	*2.73*
Schenkers	*2.83*	*2.72*	*2.22*	*2.22*
Seko Air Freight	***4.03***	***3.87***	***3.81***	***3.77***
Skyway Freight System	*3.24*	*2.76*	*2.31*	*2.07*

AIR EXPRESS CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	***3.54***	***3.49***	***3.22***	*2.45*
Airborne Express	*3.42*	*3.36*	***3.44***	*2.42*
Burlington Air Express	*3.13*	*3.29*	*3.04*	*2.90*
DHL	***3.58***	***3.49***	*3.19*	*2.82*
Emery Worldwide	*2.99*	*3.07*	*3.00*	*2.31*
Federal Express	***4.37***	***4.19***	*3.21*	*2.86*
TNT Skypak	*3.17*	*2.97*	*2.89*	*2.80*
United Parcel Service	***3.83***	***3.80***	***3.52***	*2.33*
U.S. Postal Service	*2.72*	*2.68*	*3.04*	*1.43*

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

AIR CARRIERS

Airfreight forwarders proved to be an erratic bunch. For high-volume shippers like Spectradyne, forwarders are becoming obsolete. "I have better access to information than they do," maintains Traffic Manager Jim Davis. "Most aren't equipped to provide the level of service I need."

For smaller shippers, however, the forwarder is still invaluable, and the sales force is vital. David Reinerth, traffic supervisor for GMF Robotics, used to think that a particular forwarder was superior, "but now I think it's the sales rep. If she changed companies, I'd switch with her. She's been a great help, and I trust her completely."

Shippers using forwarders want one thing above all else: simplicity. More than ever, that means trimming the paperwork trail. "We were using one forwarder for most of our international business," says Ken Henin, distribution manager, Newell Home Hardware, "but we had to drop it because it just couldn't handle the paperwork. If they can't do that, what else is there?"

The forwarders that score well are expert at being indispensable to airlines and shippers alike. Shippers are only willing to pay the markup the forwarder lives on if the forwarder makes life easier for them. "Considering the prices they charge," says Davis, "I should never have to hear excuses. When they start blaming the airlines, I show them the door."

Results for air express carriers parallel forwarders with aircraft because many players are the same. Shippers are satisfied with the service quality, but only grudgingly pay the price.

In the other categories, it's a matter of priorities. Whatever your greatest need—computerized tracing, expansive ground pickup and delivery networks, strategically located hubs, personalized service—one of these companies will be able to fill it.

STEAMSHIP LINES				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.51**	**3.39**	**3.31**	**3.12**
ACT/Pace Line	**3.79**	**3.75**	**3.37**	**3.30**
American President Lines	**4.26**	**3.83**	2.98	**3.47**
Atlantic Container Line	**3.59**	**3.41**	3.03	3.00
Canada Maritime	3.50	**3.56**	**3.33**	2.61
Cast North America	2.53	2.60	3.00	2.63
Columbus Line	**4.05**	**3.95**	**3.55**	**3.76**
Crowley Maritime Amtrans	**3.62**	**3.62**	**3.38**	**3.14**
Crowley Maritime TMT	3.29	**3.43**	3.29	2.87
Evergreen Lines	3.29	3.20	**3.66**	2.64
Farrell Lines	3.19	3.31	**3.31**	**3.47**
Hanjin Container Lines	3.14	2.95	**3.55**	2.82
Hapag Lloyd	**3.89**	**3.72**	**3.36**	**3.32**
Ivaran Line	**3.60**	**3.50**	3.00	**3.33**
K Line	**3.61**	3.29	**3.33**	**3.47**
Lykes Lines	**3.58**	3.26	3.05	**3.15**
Maersk Line	**4.00**	**3.79**	**3.31**	**3.47**
Matson Navigation	**4.22**	**3.89**	3.11	3.00
Mitsui O.S.K.	**4.00**	**3.76**	**3.76**	**3.94**
NYK Line	**4.11**	**3.95**	**3.89**	**3.89**
Navieras de Puerto Rico	3.38	3.31	2.50	2.56
Nedlloyd Lines	3.50	3.20	**3.35**	**3.38**
OOCL	**3.70**	**3.53**	**3.63**	**3.37**
Polish Ocean Lines	**3.78**	**3.78**	**3.94**	2.94
Sea-Land Service	**3.63**	**3.49**	3.19	**3.38**
Trans Freight Lines	**3.59**	**3.53**	**3.88**	**3.28**
Waterman Steamship	3.25	3.25	3.08	3.08
Zim Container Service	3.40	3.20	3.15	2.86

NORTH AMERICAN PORTS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE*	**3.61**	**3.65**	**3.32**	2.97
Baltimore, MD	**3.63**	**3.88**	3.15	**3.08**
Charleston, SC	**3.70**	**3.81**	**3.58**	**3.12**
Houston, TX	3.17	3.39	2.88	2.36
Jacksonville, FL	**3.69**	**3.77**	**3.33**	2.44
Long Beach, CA	**3.61**	**3.70**	3.13	2.68
Los Angeles, CA	**3.81**	**3.88**	**3.43**	2.81
New Orleans, LA	3.47	3.44	3.24	2.75
New York & New Jersey	3.33	3.42	2.94	2.83
Oakland, CA	**4.00**	**4.00**	**3.42**	**3.08**
Portland, OR	3.40	2.83	3.20	2.80
Savannah, GA	**3.80**	**3.65**	**3.48**	**3.25**
Seattle, WA	**3.94**	**4.11**	**3.88**	**3.47**
Tacoma, WA	**4.38**	**3.77**	**3.92**	**3.90**
Virginia Ports	**3.68**	**3.74**	**3.59**	**3.41**

** Averages calculated on basis of data for all carriers in category, not just those listed. Average or above average scores over 3.00 appear in boldface.*

WATER CARRIERS

Shippers today want carriers that can handle both ends of the ocean move. "For us, the key is now door-to-door," says Gil Forness, director of traffic for Mattel Toys. "We look at the whole landbridge move, including the speed of clearance, handling of documents, rail connections and whether or not the line will top stow cargo. If the line says the cargo will be in on Sunday but it doesn't clear the yard until Wednesday, that's not what I call door-to-door service."

That can be a real problem for an industry like apparel retailing. Emily Rodriguez, director of transportation for Esprit de Corp, says service often breaks down at the back end. "The ships get there, and they're on time," she says, "but sometimes it's hard to get your freight, or you don't get an arrival notice, and there's no follow-up service. We're time-sensitive, and stuff like that kills you."

Shippers also are looking for innovation. For example, Schwinn Bicycle Co. recently became the fourth company to tie directly into one steamship line's mainframe computer data network. Schwinn Import/Export Coordinator Kyra Boydston was so impressed with the system that she rated the carrier above the other six steamship lines she uses regularly.

Many critical aspects of cargo movement fall to carriers, not ports, making it hard for shippers to assess a port's performance. Most look for fast intermodal connections, productive labor and good carriers with dependable sailing schedules.

Jack Kooser, manager of distribution services, Durkee Industry Foods, says of port sales efforts: "Ports should put out a newsletter containing the number of lines calling and what percentage berthed and sailed on schedule. It would help shippers gain confidence in them. The port that does it first will have the pack following them."

METHODOLOGY

DISTRIBUTION's *Quest For Quality* survey is a rating of transportation service and equipment companies by the shippers who use them regularly.

The data was gathered from questionnaires containing the names of major carriers or vendors of each mode of transportation service. Each questionnaire also included space for write-ins. The questionnaires were bound into monthly issues of DISTRIBUTION as follows:

January—LTL Motor Carriers and Surface Express Companies
February—Air Freight Carriers, Forwarders and Air Express
March—Water Carriers and Ports
April—Rail Carriers, Third Parties, Intermodal Operators and Railcar Lessors
May—TL and Specialized Motor Carriers

Each of the 1,901 questionnaires received was reviewed for legitimacy. No photocopies were accepted, and only questionnaires on which the respondent identified him or herself and the company were counted. A total of 405 questionnaires were rejected because they were photocopies, carrier-initiated or otherwise not in compliance.

A total of 1,496 questionnaires qualified completely. Each of these was coded according to state and standard industry code.

DISTRIBUTION asked respondents to rate the carriers and vendors they use in the following performance categories:

- *Service—transit times, routing and equipment*
- *Convenience—billing, tracing, EDI, claims settlement*
- *Price—rate levels and fairness, contract price levels and terms*
- *Sales—salesperson's knowledge of their company's capabilities and the customer's needs.*

Shippers rated carriers they use regularly on a scale of 0 (unacceptable) to 5 (outstanding).

The ratings for each carrier appearing in this report were calculated by multiplying the number of votes by their point value. Total points were then divided by the number of shippers evaluating the carrier to find the average. For example, the rating for XYZ Company's service would be calculated as follows:

Range	*Respondents*	*Value*
0	*100*	*0*
1	*30*	*30*
2	*90*	*180*
3	*20*	*60*
4	*230*	*920*
5	*110*	*550*
Total	*580*	*1740*

Average: 3.000

Category averages are the sum of all carrier averages received (not just those reported) divided by the number of carriers in that section. This report includes ratings for only those carriers that received enough responses to allow statistically measurable results.

Independent researchers (Temple University's Dr. Richard Lancioni and his assistant, Lauren Harris) tabulated all questionnaires and generated the scores in this special report.

The Quality Carriers

DISTRIBUTION has designated a number of transportation companies as "Quality Carriers" (page 32). Each of these carriers received ratings in all performance categories higher than the averages for their group. No company with a rating lower than 3.00 (just acceptable performance) in any category qualified as a "Quality Carrier."

No effort has been made to rank the carriers. Before any shipper can calculate which carrier has the "performance profile" it is looking for, it must establish a weighting for each category.

The simplest way to do this is to assign weighted point values to the four performance categories. For instance, take a total of 10 points and assign the appropriate weighting to service, convenience, price and sales effectiveness, based on the importance of each performance category to you.

After determining the weightings, multiply them times the reported scores for the various carriers. The carrier with the highest total of points after four categories have been extended is your best carrier.

Here's an example. Suppose your weighted scale of carrier performance characteristics is four points for service, three for price, two for convenience and one for sales effectiveness. The extended scores and total points for the XYZ Company would be:

Performance Category	*Reported Score*	*Weight Factor*	*Total Score*
Service	*3.000*	*4*	*12.000*
Price	*3.100*	*3*	*9.300*
Conv	*2.800*	*2*	*5.600*
Sales	*2.500*	*1*	*2.500*
Total			*29.400*

A Caveat To Readers

In the past, certain carriers have attempted to use the ratings in our *Quest For Quality* survey as a competitive ranking system. We caution readers not to pay any attention to such manipulations of numbers and improper use of our survey. Such use is statistically meaningless. It also corrupts the intent of the *Quest For Quality* survey.

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HAVE THE GOOD TIMES ROLLED?

The motor carrier industry rode an expanding economy to new heights in 1988, but a slumping economy and upward cost pressures may put LTL and TL profits for 1989 in low gear.

By Thomas A. Foster, Editorial Director

For the entire trucking industry, 1988 was a year that unfolded like the great American dream. The first quarter started very humbly with the slow growth and financial ills it had inherited from years past. In the second quarter, the industry faced great adversity including a new, expensive labor agreement and shipper complaints over two rate increases. By the third quarter most truckers, from small TL carriers to the giant LTL companies, turned this adversity into very respectable profits, and by the end of the year the industry rode an expanding economy to heights of success it has not enjoyed in many years.

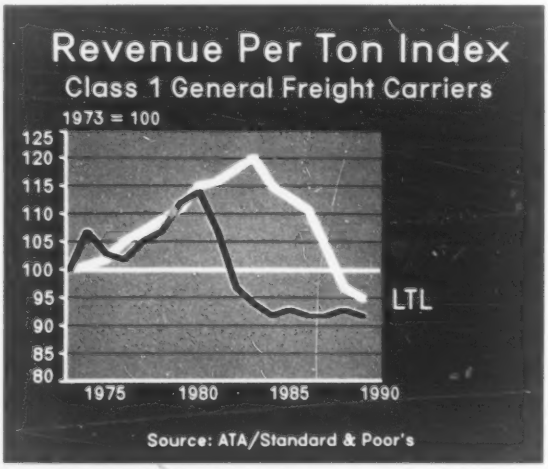
The earnings of the 100 largest common carrier trucking companies reporting to the Interstate Commerce Commission enjoyed a 1988 revenue increase of 8.9 percent, a tonnage increase of 8.2 percent, a net income increase of 57.6 percent and a whopping return on equity increase of 54.1 percent.

But 1989 may not have as happy an ending for the motor carrier industry.

"If 1988 was a success story built on expansion, 1989 is going to be a margin-squeeze story," says George Robertson, a leading trucking industry analyst with Alex. Brown & Sons in Baltimore. "We see flat earnings in 1989 compared to 1988."

The factors Robertson sees causing a margin squeeze for LTL motor carriers this year are as follows:

- Pricing has become more intense as competition within and between modes has increased.
- Capacity is growing faster than freight volume.
- Fuel prices are still higher than 1988 levels.



Rate discounting abated slightly in 1988, but revenues per ton continue to fall for all carriers.

The biggest concern, however, is a weakening economy, which Robertson says has been getting softer and softer since February.

"The large LTL carriers usually focus all their effort on long-haul traffic," says Robertson. "Since the first quarter, we have seen them looking for regional business, so they can maintain their volumes."

This market pressure is causing noticeable LTL price and earnings erosion. "First quarter margins were disappointing considering the rate increases taken in late February," says Robertson. "Higher fuel prices could account for some of the margin shortfall, but the other reason probably has been higher discounting in the seasonally weak winter months."

After nearly a whole year of firming rates, Robertson sees increasing volatility. "About three-quarters of LTL revenues are subject to rates negotiated between shippers and carriers," says Robertson. "During most of 1988, rates were up more than costs because the leading carriers have been walking away from marginally profitable business.

"I would like to think the big carriers will not eat away at their own margins by lowering rates and going after low-profit business," says Robertson. "They have taken marginal traffic away from the regionals, and needless to say, some of the regionals are being hurt by this increased competition from the big carriers."

In spite of the sluggish economy and signs of rate volatility, Robertson views the business strategies of the LTL carriers today as

continued

very unlike those of just a couple years ago when the carriers were frantically fighting for market share. Carriers were giving big discounts to get more business with the hope that the other guy will go under.

"The forces of consolidation were driving this market. Now trucking has gone back to a business that is more closely in tune with general business cycles," says Robertson. "Today, there is no ongoing attempt to use heavily discounted pricing to get business. Discounts are still used to protect business they have. But more often than not, the carrier today will walk away from business that is priced too low."

Helping carriers determine the good traffic from the marginal freight is an increasingly sophisticated costing technique. "A growing number of LTL carriers know how profitable every bit of freight they generate will be," says Robertson. "These carriers are no longer just costing out lanes. Rational pricing is the trend for the future. Carriers that know their costs will not take freight just because it is there."

If the economy really has a hard landing, however, few analysts believe that carriers will walk away from any business in a weak economy. "It really depends on the economy," says Robertson.

Robertson points out that the operating margins are thinner today than they have been at the same stage of the business cycle, making earnings more volatile. Further, carriers have already tightened their belts just to survive the rate wars of the mid-1980s. "Any significant pressure on rates will be reflected in margins immediately," says Robertson. "There is no fat to cut."

There is some sign that pressure will be on rates very soon. In 1988 the two rate increases stuck with little shipper resistance. This year there was one increase in February, and the LTL carriers are already backing off on rates. "If the slowdown continues well into the third quarter, the carriers will be giving back about a 3 percent rate increase," says Robertson.

Adding to the rate and revenue problems caused by a slumping economy are a variety of strategies shippers are using to find low-cost alternatives to LTL distribution.

"The smart shippers are looking at alternatives such as

REVENUES OVER $500 MILLION

Carrier	$ Million
1. U.P.S. (Ohio)	6,608.0
2. U.P.S. (N.Y.)	2,526.7
3. Yellow Freight	1,991.6
4. Consolidated Freightways	1,749.2
5. Roadway Express	1,693.6
6. North American Van Lines	817.9
7. Overnite Transportation	638.5
8. ABF Freight System	616.8
9. Carolina Freight	531.6

The top revenue producing truckers include a parcel carrier, big LTL carriers and a TL/HHG carrier.

MAJOR MOTOR CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
AAA Cooper Transportation	1988	116.47	14.09	12.39	0.90	87.9	45.94
	1987	92.11	8.85	7.37	0.75	90.4	32.79
ABF Freight System	1988	616.77	26.02	8.91	2.70	95.8	33.93
	1987	526.29	10.44	0.42	2.40	98.0	1.56
ANR Freight System	1988	468.01	(7.10)	(6.28)	3.19	101.5	-0-
	1987	405.92	(12.64)	(8.19)	2.89	103.1	-0-
A.P.A. Transport Corp.	1988	129.16	8.60	6.48	0.72	93.3	19.06
	1987	118.93	8.46	5.90	0.67	92.9	22.51
Advance Transportation	1988	94.77	2.49	0.51	0.83	97.4	9.14
	1987	72.19	3.08	2.36	0.63	95.7	52.66
Allied Systems Ltd.*	1988	200.81	6.13	5.89	7.28	96.9	33.13
	1987	193.33	(1.54)	(3.00)	5.99	100.8	-0-
Allied Van Lines	1988	383.63	6.48	2.91	0.61	98.3	6.99
	1987	382.74	3.56	5.36	0.62	99.1	14.75
Arkerman Transport	1988	54.51	0.16	(0.75)	0.42	99.7	-0-
	1987	53.95	1.51	0.62	0.46	97.2	3.84
Atruk Freight Systems Inc.	1988	56.76	(1.64)	(2.80)	0.97	102.9	-0-
	1987	62.56	(2.06)	(3.75)	0.91	103.3	-0-
Anchor Motor	1988	272.21	6.84	(0.67)	3.29	96.9	*
	1987	266.12	10.78	(0.79)	3.70	96.2	*
Anderson Trucking Svc	1988	83.82	4.85	2.68	0.90	94.2	16.48
	1987	74.72	2.48	1.14	0.88	96.7	7.50
Arkansas Freightways	1988	73.06	6.39	2.98	0.59	91.3	*
	1987	*	*	*	*	*	*
Atlas Van Lines	1988	201.01	12.01	0.03	0.31	94.0	-0-
	1987	184.75	10.62	0.56	0.29	94.1	-0-
Averitt Express Inc.	1988	87.23	7.62	3.48	1.07	91.30	48.10
	1987	63.65	5.60	2.22	0.86	91.2	46.39
Bekins Van Lines	1988	214.37	2.77	2.01	0.39	98.7	6.54
	1987	216.72	0.51	0.61	0.42	99.8	1.99
Builders Transport	1988	203.86	8.08	(0.49)	5.97	96.0	*
	1987	185.26	13.58	6.42	5.50	92.7	*
Burnham Service Co.	1988	96.14	8.62	5.29	0.19	91.0	26.10
	1987	93.88	10.76	5.32	0.18	88.5	36.71
Carolina Freight	1988	531.56	25.59	12.95	2.53	95.2	12.67
	1987	472.63	24.08	12.47	2.35	94.9	13.90
Carretta Trucking	1988	65.66	1.77	0.19	2.28	97.3	1.55
	1987	57.28	3.75	1.75	1.91	93.5	15.87
Cassens Transport	1988	81.13	3.46	2.09	1.06	95.7	46.22
	1987	67.22	0.10	(0.18)	1.09	99.8	-0-
Central Freight	1988	211.42	19.14	11.02	2.42	90.9	11.11
	1987	196.17	14.31	10.94	2.32	92.7	12.69
Central Transport (Mich.)	1988	309.64	10.32	9.90	5.34	96.7	13.18
	1987	275.99	10.85	9.61	4.67	96.1	14.01
Central Transport (N.C.)	1988	52.40	3.70	3.80	1.22	92.9	15.63
	1987	51.96	2.32	2.39	1.28	95.5	9.50
Chemical Leaman	1988	214.42	6.14	(2.22)	6.41	97.1	*
	1987	202.36	5.76	0.73	6.37	97.2	*
Churchill Truck Lines	1988	139.55	5.26	3.81	0.82	95.5	19.89
	1987	108.86	2.58	1.32	0.66	97.6	7.24
Commercial Carriers Inc. (Mich.)	1988	198.04	14.32	11.59	3.44	92.8	33.39
	1987	189.54	14.83	8.80	3.21	92.2	24.86

continued

the old concept of assembly distribution, where they use a TL carrier for a long haul and a regional carrier to break the shipment and do local distribution," says Robertson.

"Shippers also have an even wider choice of transportation alternatives because their type of shipment has changed in recent years," says Robertson. "There are fewer thousand-pound shipments in one large crate. What you see are more thousand-pound pallets made up of 50 smaller shipments. If the shipper wanted to, he could ship them UPS, RPS or some other way.

"This is not a major diversion yet, but the carriers are well aware that shippers are looking for alternatives. They know that if they try to push up prices, shippers will simply try a different way of shipping.

"Small LTL carriers are benefiting from this experimentation trend among shippers," says Robertson. In fact, he says one of the most profitable sectors of the whole trucking industry is the small carrier with annual revenues between $10 and $50 million.

"Trucking is not a business that has many economies of scale," says Robertson. "There is absolutely no correlation between size and profitability. Modest-size carriers that have a big part of a small market or a small part of many large markets can often maneuver better than larger carriers during hard times.

"The fear that a few LTL carriers would take over the trucking business and be able to control pricing just hasn't happened – and probably never will.

"The entire motor freight sector is a buyers' market," says Robertson. He believes it is up to the individual carriers to position themselves strategically to avoid extreme rate pressures from shippers.

"A carrier that is perceived to be exactly the same as five or 10 other competitors has a vulnerable market position," says Robertson. "The pricing for these carriers

OPERATING RATIOS UNDER 90

Carrier	Operating Ratio
1. Estes Express	80.2
2. Koch Service	80.6
3. New Penn Motor Express	81.6
4. M.S. Carriers	84.4
5. J.B. Hunt Transport	84.8
6. Werner Enterprises	85.3
7. Contract Freighters	85.5
8. Con-Way Western Express	86.9
9. Overnite Transportation	87.1
10. Saia Motor Freight	87.2
11. AAA Cooper Transportation	87.9
12. Roberts Express	89.1
13. Commercial Carriers Inc. (Fla.)	89.2
14. TNT Holland Motor Express	89.6
15. New Prime Inc.	89.7
16. Jack Gray Transport Inc.	89.8

The list of most efficient operators includes mainly medium-size LTL carriers and large TL companies.

MOTOR CARRIERS *continued*

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Commercial Carriers Inc. (Fla.)	1988	48.23	*	*	*	89.2	*
	1987	46.03	*	*	*	94.1	*
Complete Auto	1988	247.18	15.12	14.46	2.70	93.9	*
	1987	234.48	16.34	10.33	*	93.0	*
Consolidated Freightways	1988	1,749.18	105.88	74.98	6.52	93.9	17.81
	1987	1,555.22	76.72	46.26	6.18	95.1	10.81
Contract Freighters	1988	99.21	14.38	11.71	1.35	85.5	114.33
	1987	82.04	9.54	6.82	1.21	88.4	102.05
Convoy Company	1988	68.64	0.46	0.38	0.81	99.3	*
	1987	62.64	0.18	(0.12)	0.68	99.7	*
Con-Way Eastern Express	1988	51.79	(5.39)	(3.69)	0.34	110.4	-0-
	1987	42.65	(6.72)	(4.83)	0.30	115.8	-0-
Con-Way Western Express	1988	88.80	11.66	7.00	0.55	86.9	*
	1987	65.99	8.01	4.34	0.42	87.9	*
Jack Cooper Transport	1988	90.79	2.23	0.05	1.37	97.5	* 0.08
	1987	79.83	0.84	(0.70)	1.30	98.9	-0-
Country Wide Truck Serv	1988	87.83	0.41	(1.52)	*	99.5	*
	1987	72.66	5.07	1.90	*	93.0	*
Crete Carrier Corp	1988	96.94	4.70	4.49	1.83	95.1	20.53
	1987	89.01	5.07	3.28	1.61	94.3	16.66
Crouse Cartage Co	1988	48.97	1.75	1.25	0.66	96.4	40.30
	1987	44.50	(0.22)	0.04	0.68	100.5	1.18
DSI Transports	1988	65.58	5.42	2.38	3.27	91.7	30.90
	1987	55.24	4.84	1.72	2.76	91.2	24.27
Daily Express	1988	48.12	3.24	3.63	0.75	93.3	22.90
	1987	49.73	2.25	2.39	1.03	95.5	15.43
Dallas & Mavis	1988	85.35	5.63	3.48	1.20	93.4	25.79
	1987	65.02	3.80	2.09	0.92	94.2	1.84
Dart Transit	1988	85.14	5.53	5.05	1.43	93.5	*
	1987	73.67	5.99	3.96	1.08	91.9	*
Dayton	1988	57.37	2.12	1.70	1.64	96.3	7.04
	1987	55.69	3.69	3.23	1.63	93.4	15.40
Donco Carriers Inc.	1988	60.45	2.31	1.73	1.09	96.2	30.03
	1987	55.28	3.73	2.87	0.76	94.3	87.21
E & L Transport	1988	104.76	*	*	*	96.9	*
	1987	97.37	*	*	*	99.7	*
Estes Express	1988	88.52	17.50	11.32	0.91	80.2	34.68
	1987	79.58	13.89	8.10	0.86	82.5	29.82
FFE Transportation	1988	88.70	4.41	2.88	0.97	95.0	*
	1987	83.26	3.01	2.13	0.87	96.4	*
Fleet Transport	1988	72.68	(1.08)	(2.72)	7.51	101.5	-0-
	1987	61.89	(0.99)	(1.96)	5.44	101.6	-0-
Freeway Express Inc.	1988	55.74	0.97	0.59	0.53	98.3	24.03
	1987	44.10	1.42	0.71	0.47	96.8	30.56
Freymiller Trucking Inc.	1988	58.74	3.74	0.76	0.60	93.6	5.72
	1987	42.10	4.12	2.00	0.42	90.2	78.46
G. I. Trucking	1988	75.00	(2.60)	(2.97)	0.41	103.5	-0-
	1987	61.96	0.81	(0.17)	0.34	98.7	-0-
Gemini Trucking	1988	89.04	2.43	0.39	*	97.3	*
	1987	*	*	*	*	*	*
Global Van Lines	1988	58.61	0.94	0.75	0.09	98.4	10.51
	1987	54.03	0.60	0.44	0.08	98.9	6.90
Graebel Van Lines	1988	66.87	0.34	0.08	0.08	99.5	1.61
	1987	62.12	1.12	0.48	0.07	98.2	9.85

continued

will be controlled by the shipper. But carriers that can adapt to shipper's needs and provide a service edge are in a position to negotiate on price and probably get a premium of at least five percent. These carriers have no higher costs than their competitors, so the extra revenue goes right to the bottom line. The small and medium LTL and TL carriers should be doing everything they can to join the ranks of these highly differentiated carriers. Otherwise, they are going to have real problems with their revenues and earnings in the near future."

The TL carriers will have even a tougher time than the LTL carriers in 1989, according to John Larkin, Alex. Brown's analyst who follows the truckload sector.

"Not only do they have a slumping economy to contend with, but TL carriers have more competitors and face more severe cost pressures," says Larkin.

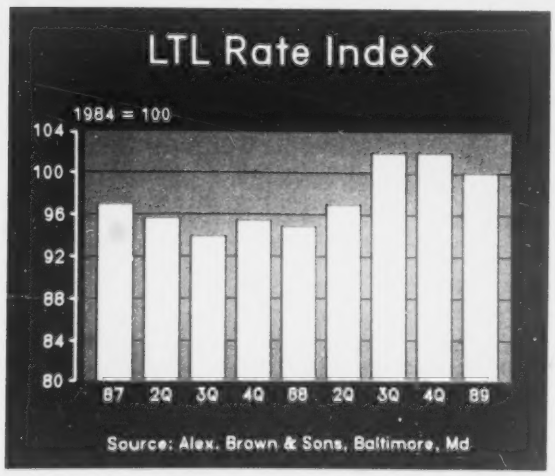
"Even though the economy is slumping, we've seen the addition of significant capacity in the truckload and rail intermodal industries, creating a supply-demand imbalance that favors shippers, not carriers," says Larkin.

TL traffic is still seeing growth resulting from private fleets being whittled down, but Larkin says many TL carriers mistake these minor increases for real growth in new TL traffic.

"These TL carriers are not cutting costs to maintain their profit margins in a slow market," says Larkin. "They continue to add capacity just when they should be tightening their belts. The whole industry has to wait for demand to catch up with supply to the point where rates can be raised, utilization strengthened and empty mile ratios returned to 1988 levels," says Larkin.

Larkin believes only the most profitable TL carriers, those with operating ratios under 92, can justify the purchase of new equipment at this time.

While new TL capacity is creating problems for the in-



LTL rates are down slightly in 1989 despite the February rate increases. Discounting is the culprit.

MOTOR CARRIERS *continued*

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Greenstye Transportation	1988	75.93	5.46	4.44	4.33	92.8	176.45
	1987	66.98	1.29	0.46	4.52	98.1	9,240.00
J. B. Hunt Transport	1988	392.55	59.74	3.30	*	84.8	*
	1987	286.42	42.96	25.97	3.48	85.0	*
Hyman Freightways	1988	84.86	0.50	0.44	0.60	99.4	9.50
	1987	73.53	0.92	0.46	0.56	98.7	11.83
Independent Freightways	1988	130.80	1.66	0.60	*	98.7	*
	1987	*	*	*	*	*	*
Jack Gray Transport Inc.	1988	76.45	7.76	4.91	4.55	89.8	106.00
	1987	52.25	2.67	1.20	4.14	94.9	35.32
Jones Motor Co.	1988	68.55	1.09	1.66	1.26	98.4	21.23
	1987	74.60	0.83	1.24	1.48	98.9	19.06
Jones Transfer	1988	70.95	1.92	(4.93)	1.33	102.7	-0-
	1987	71.37	(1.04)	(2.95)	1.38	101.5	-0-
Jones Truck Lines	1988	133.01	4.77	(4.01)	1.26	97.5	-0-
	1987	172.53	9.83	(2.08)	1.19	94.3	-0-
KLLM	1988	97.41	8.39	2.94	1.46	91.4	*
	1987	75.23	7.20	3.01	0.95	90.4	*
Koch Service	1988	91.96	17.82	11.10	*	80.6	*
	1987	88.06	*	*	*	84.2	*
Lyons Transportation	1988	72.54	(0.59)	(0.51)	0.51	100.8	-0-
	1987	63.73	(1.76)	(1.64)	0.48	102.8	-0-
M&G Convoy	1988	107.46	1.85	2.04	1.34	98.3	12.92
	1987	117.97	7.52	4.67	1.43	93.6	28.67
M.S. Carriers	1988	68.48	10.66	6.44	*	84.4	*
	1987	*	*	*	*	*	*
McGil Specialized Carriers	1988	58.02	1.25	0.39	0.54	97.9	7.77
	1987	51.29	1.33	0.52	0.65	97.4	11.06
Marten Transport	1988	67.17	3.87	1.61	0.94	94.2	15.97
	1987	57.56	5.62	2.44	0.76	90.2	31.84
Matlack	1988	227.70	6.85	0.85	8.76	97.0	*
	1987	204.30	2.85	(0.76)	8.10	98.6	*
Mayflower Transit	1988	314.23	8.88	6.39	0.60	97.2	9.47
	1987	312.07	13.99	12.32	0.67	95.5	23.71
Melton Truck Lines	1988	45.18	*	*	*	99.3	*
	1987	47.94	*	*	*	99.6	*
Mercer Transportation	1988	73.39	4.47	4.41	1.24	93.9	*
	1987	60.26	*	*	*	95.4	*
Merchants Fast Motor	1988	88.59	0.54	0.35	0.96	99.4	4.29
	1987	76.39	(1.83)	(1.10)	0.91	102.4	-0-
Merchants Home Delivery	1988	78.14	6.33	3.27	*	91.9	*
	1987	62.43	5.78	2.69	*	90.7	*
Middlewest Freightways Inc.	1988	41.60	0.93	0.37	0.33	97.8	4.92
	1987	36.89	0.31	(0.14)	0.30	99.9	-0-
Mid West Coast Transport	1988	69.17	1.70	1.11	0.81	97.5	10.70
	1987	70.75	2.67	1.61	0.80	96.2	18.30
Midwestern Distribution	1988	56.31	(3.59)	(3.51)	0.79	106.4	-0-
	1987	68.47	(2.37)	(2.53)	0.95	103.5	-0-
Miller Transporters	1988	74.05	2.63	0.83	3.25	96.4	8.87
	1987	66.94	3.20	1.34	3.42	95.2	15.98
Missouri Nebraska Express	1988	85.23	3.95	1.47	0.84	95.4	4.40
	1987	70.19	6.50	3.88	0.72	90.7	27.25
Morgan Drive Away Inc.	1988	59.78	1.96	1.27	0.72	96.7	17.01
	1987	49.59	1.48	1.11	0.67	97.0	16.05

continued

dustry, so is competition from intermodal operators, especially the double-stack services, according to Larkin.

Double-stack rail operations still are limited to a relatively few high-volume corridors, but he says they are having an impact on the whole surface transportation system by flushing truckload capacity out of long-haul, high-density lanes mostly in the West, into shorter-haul, lighter-density lanes mostly in the East.

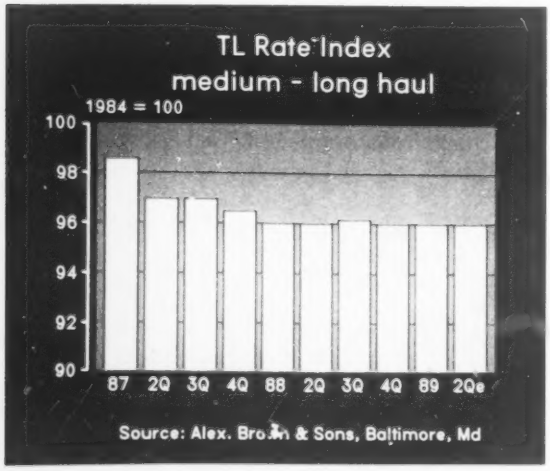
This cascading effect has increased the level of competition among Eastern-oriented rail intermodal operations and trucking companies. Larkin thinks this trend will intensify, especially if fuel prices increase and the driver shortage becomes more severe.

"Intermodal operators have boosted service levels by taking control of the door-to-door movement to the point that intermodal is quite acceptable to many shippers," says Larkin.

While it is hard to estimate the inroads of intermodal on the TL market, Larkin thinks it could soon reach 10 to 15 percent of truckload traffic. "In many areas that percent is equal to total tonnage growth, so if that happens, market growth for TL carriers will be zero," says Larkin.

Shippers are not helping the situation for TL carriers, according to Larkin. Many shippers have adopted the core-carrier concept to improve the quality of their overall service while simultaneously reducing the number of carriers with which they are doing business. But according to Larkin, only about 30 to 50 percent of these shippers are genuinely interested in developing long-term partnerships with carriers. The other 50 to 70 percent are setting up intense competition between the largest, strongest and most efficient of the TL carriers.

"As carriers try to get their cost-pushed rate increases through, they are finding that the so-called partnership is really a one-way street," says Larkin. "This is the dark



Stiffening competition from intermodal operators is putting downward pressure on long-haul TL rates.

MOTOR CARRIERS *continued*

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Munson Transportation	1988	82.93	7.37	3.36	1.99	91.1	42.19
	1987	66.09	6.09	2.90	1.05	90.8	57.76
National Carriers	1988	68.12	2.11	0.33	*	96.9	*
	1987	67.33	*	*	*	96.8	*
New Penn Motor Express	1988	100.55	20.12	16.09	0.72	81.6	34.79
	1987	95.46	17.17	9.71	0.70	82.0	25.73
New Prime Inc	1988	61.19	6.31	4.27	1.04	89.7	85.34
	1987	45.02	4.66	2.68	0.68	89.2	280.78
North American Van Lines	1988	817.89	22.26	6.37	4.06	97.3	3.33
	1987	790.52	27.00	20.24	3.92	96.6	11.87
North Penn Transfer	1988	39.75	0.42	1.66	0.33	98.9	32.22
	1987	43.74	3.94	3.99	0.36	109.0	0
Northwest Transport	1988	172.33	13.92	9.06	0.82	91.9	19.00
	1987	131.93	11.08	6.88	0.67	91.6	16.82
NuCar Carriers	1988	*	*	*	*	*	*
	1987	142.92	8.31	2.93	2.85	94.2	*
The O.K. Trucking Co	1988	47.08	1.11	0.06	0.50	97.6	-0-
	1987	47.41	(3.78)	(3.88)	0.49	108.0	-0-
Old Dominion Freight Lines	1988	114.79	5.48	1.23	0.99	95.2	25.16
	1987	106.32	0.11	(4.13)	1.01	99.9	-0-
Overnite Transportation	1988	638.49	82.61	37.39	4.42	87.1	10.74
	1987	543.13	71.05	23.52	3.95	86.9	9.30
P.A.M.	1988	78.78	2.05	(1.31)	*	97.3	*
	1987	*	*	*	*	*	*
Pacific Motor Trucking	1988	38.81	*	*	*	94.1	*
	1987	70.75	(1.79)	(1.11)	1.04	102.5	*
Pennsylvania Truck Lines	1988	88.92	2.03	0.91	*	97.7	*
	1987	93.08	0.11	(1.68)	*	99.9	*
P.I.E. Nationwide Inc[6]	1988	498.80	(5.82)	(20.59)	1.87	101.2	-0-
	1987	589.84	(28.84)	(53.84)	2.34	104.8	-0-
Pre-Fab Transit	1988	72.03	2.34	1.35	1.36	96.8	19.63
	1987	58.68	0.44	0.79	1.23	99.3	11.17
Preston Trucking	1988	368.04	10.64	4.24	2.50	97.1	4.35
	1987	318.85	(0.34)	3.17	2.31	100.1	3.23
Ranger	1988	209.93	2.85	1.43	*	98.6	*
	1987	*	*	*	*	*	*
Refiners Transport	1988	69.04	(2.33)	(3.99)	9.01	103.4	-0-
	1987	65.69	(1.98)	(3.49)	8.43	103.0	-0-
Roadrunner	1988	74.27	6.65	2.92	*	91.0	*
	1987	*	*	*	*	*	*
Roadway Express	1988	1,693.60	100.56	74.72	6.46	94.1	10.13
	1987	1,596.30	86.53	63.79	6.47	94.6	8.96
Roberts Express	1988	76.58	8.38	5.57	0.17	89.1	*
	1987	*	*	*	*	*	*
Ryder Distribution	1988	251.75	5.05	(0.96)	2.50	98.0	*
	1987	*	*	*	*	*	*
Ryder Freight System	1988	84.89	(6.51)	3.41	1.07	107.7	62.57
	1987	133.98	(8.26)	(6.21)	1.52	106.2	-0-
Ryder Temp Controlled Carriage	1988	57.18	(4.56)	(2.12)	0.30	108.0	-0-
	1987	53.72	(0.24)	(0.43)	0.37	100.4	-0-
Saia Motor Freight	1988	73.44	9.37	1.96	0.76	87.2	4.65
	1987	62.59	8.22	1.31	0.73	86.9	2.99
St. Johnsbury Trucking	1988	296.90	28.25	5.27	1.89	90.5	10.12
	1987	284.20	30.31	7.94	1.84	89.3	14.99

continued

side of the core carrier concept. The shipper tells the carrier that if it wants to keep the business, it won't pass the rate increases on."

As a result of these competitive pressures, many TL carriers report that pricing will remain roughly flat during 1989, according to Larkin.

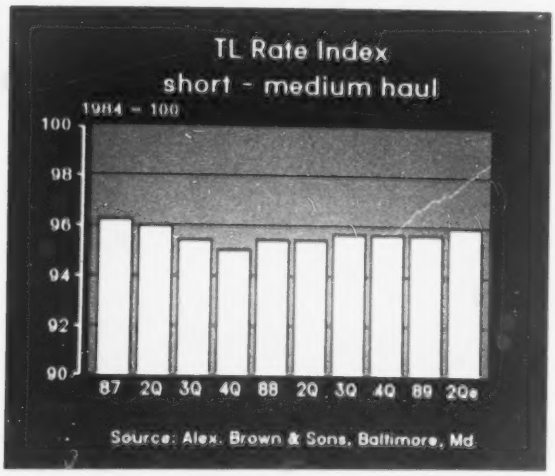
"Those carriers with a significant piece of a customer's business, or those carriers offering a truly differentiated service over another may be able to boost their prices 1 to 4 percent during 1989," says Larkin, "but our estimate is that a maximum average increase of 2 to 3 percent is all that can be expected for even the most well-positioned carriers."

Cost pressures will probably also be more intense in the TL sector than in the LTL sector. Fuel is 15 to 17 percent of the total cost for TL carriers, while it is only about 5 percent for LTL carriers. Thus the current price increase for fuel, including taxes, of 6 to 8 cents per gallon above 1988 year-end levels will affect the TL carriers more severely.

The other major fuel cost concern is state and federal taxes, which are being pushed as ways to help reduce the budget deficit, as well as to improve the crumbling infrastructure. Substantial tax increases are possible in 1989 or 1990. Estimates of such an increase range from about 9 cents to 30 cents.

"The carriers with the widest operating margins and the most fuel-efficient fleets might even benefit from a small fuel tax increase because of the margin pressure brought to bear on the low margin, inefficient TL carriers," says Larkin, "but no one wants to see a big tax."

Equipment costs are going up for TL carriers faster than they are for the LTL carriers, which generally have more buying clout. Small carriers are seeing price increases for both tractors and trailers.



Short-haul TL rates have been firm, but shippers are resisting higher rates to cover higher carrier costs.

MOTOR CARRIERS *continued*

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME ($ millions)	NET INCOME[1] ($ millions)	REVENUE TONS HAULED[1] (millions)	OPERATING RATIO[1] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[1]
Schneider National	1988	332.92	7.07	5.01	*	97.7	*
	1987	239.46	(4.42)	5.10	*	101.9	*
Shaffer Trucking Inc	1988	46.76	2.41	2.60	0.65	94.9	11.45
	1987	47.38	2.56	2.83	0.67	94.6	19.49
Wm. B. Shaw Frozen Express	1988	51.98	5.13	4.58	0.59	90.1	37.16
	1987	46.92	3.59	1.80	0.53	92.3	17.16
Signal Delivery	1988	248.72	10.56	1.24	*	95.8	*
	1987	232.78	5.27	(1.68)	*	97.5	*
Smalley Transportation	1988	45.04	1.40	0.74	0.67	96.9	8.90
	1987	36.65	1.19	0.33	0.45	96.8	3.96
Southeastern Freight	1988	119.98	9.26	8.80	1.17	92.3	35.82
	1987	104.08	5.94	5.85	1.06	94.3	28.55
Southwestern Motor Transport	1988	54.72	2.66	1.95	0.54	95.1	11.87
	1987	47.81	1.13	0.78	0.50	97.6	4.92
Spartan Express	1988	68.76	(6.02)	(5.33)	0.67	108.8	*
	1987	62.47	(6.63)	(4.47)	0.65	110.6	*
Stiles	1988	104.53	1.54	0.68	*	98.5	*
	1987	*	*	*	*	*	*
TNT Bestway Transportation Inc.	1988	48.51	3.42	1.48	0.31	92.9	18.54
	1987	41.26	1.57	0.51	0.28	96.2	6.81
TNT Holland Motor Express	1988	181.95	19.97	11.69	1.59	89.6	37.11
	1987	144.01	17.16	8.17	1.25	88.1	26.55
TNT Red Star Express	1988	127.42	4.94	2.89	0.67	96.1	7.44
	1987	114.44	7.27	5.71	0.63	93.6	14.92
Transcon Lines	1988	266.06	(20.05)	(27.18)	1.10	107.5	-0-
	1987	333.76	(11.04)	(19.63)	1.85	103.3	-0-
Transus	1988	68.79	0.60	(0.38)	0.80	99.1	-0-
	1987	75.73	(5.98)	(0.30)	0.79	107.9	-0-
Tri-State Motor Transit	1988	93.72	(0.46)	0.34	0.80	100.5	1.65
	1987	103.19	(2.04)	(2.63)	0.84	102.0	-0-
U.P.S. (Ohio)	1988	6,608.04	373.58	424.99	*	93.6	*
	1987	5,828.29	330.10	206.28	*	94.3	*
U.P.S. (N.Y.)	1988	2,526.71	3.68	22.72	*	99.1	*
	1987	2,227.41	(0.68)	15.34	*	100.0	*
United Van Lines	1988	440.28	0.09	0.16	0.78	100.0	0.47
	1987	414.46	(3.57)	(0.79)	0.80	100.9	-0-
Universal Am-Can	1988	78.61	5.31	4.18	1.68	93.2	*
	1987	65.51	3.77	3.53	1.44	94.2	*
Viking Freight	1988	205.15	14.69	7.23	1.29	92.8	14.57
	1987	165.95	7.94	4.38	1.30	95.7	9.71
Watkins Motor Lines	1988	172.76	7.46	2.61	0.65	95.7	13.70
	1987	146.70	6.31	1.42	0.56	95.7	8.10
Werner Enterprisers	1988	191.44	28.21	16.07	1.68	85.3	*
	1987	139.09	21.39	12.07	2.61	84.6	*
Wheaton Van Lines Inc	1988	48.49	2.65	1.78	0.07	94.5	10.01
	1987	44.61	2.51	1.62	0.076	94.4	9.60
Willig Freight	1988	75.57	5.35	1.94	0.56	92.9	78.40
	1987	66.63	4.64	2.19	0.54	93.2	17.60
Wilson Trucking	1988	58.51	5.91	3.67	0.52	90.0	15.63
	1987	55.46	6.64	4.16	0.48	88.0	19.40
Yellow Freight	1988	1,991.60	110.15	66.42	7.77	94.5	17.51
	1987	1,740.70	73.24	40.20	6.86	95.8	10.72

*Indicates data not available

Source: Interstate Commerce Commission, CCJ, Alex. Brown & Sons

continued

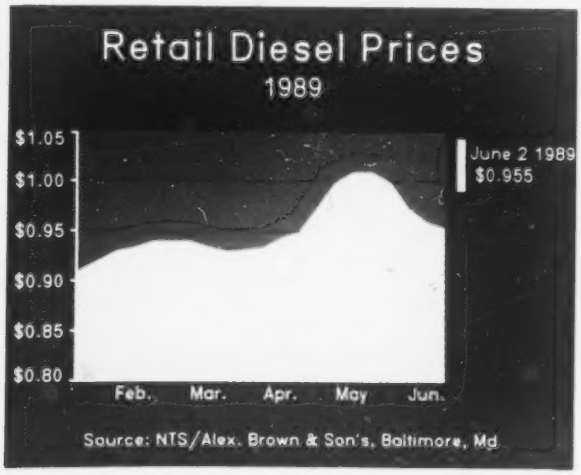
Trailers that were $15,000 a few years ago are now $16,000, according to Larkin. Tractors that were $50,000 to $55,000 are now at least $60,000. "Some of this is just price increases," says Larkin. "Some of it is also more elaborate specifications. To attract drivers, more comforts are needed in the cabs. Carriers are looking at more high-tech items like on-board computers and satellite tracking devices."

Larkin says TL carriers will have to be careful about all equipment investments. "The challenge is not necessarily to avoid adding fixed investment but rather to add those highly productive items that are clearly justified on an economic basis. In a business that often looks like a commodity business, cost control is key. Margins are simply not sufficient to support excess fixed plant or technological experimentation, especially during tough times."

In both the LTL and TL sectors, debt is increasing, says Robertson. "Trucking is getting on the leverage bandwagon just like other businesses," he says. "The days of debt-free carriers are rapidly disappearing. Having debt as 30 percent of capital was once considered high, now it is not. The time has come when a good, average carrier will have to be satisfied with operating ratios of around 93 or 94 percent. To leverage these operating ratios to 15 percent return on equity, which other businesses are used to, truckers must include much more depth in their capital structure.

"Trucking is a natural for leverage," says Robertson. "It has the three Rs: receivables, real estate and rolling stock, all of which can be leveraged for great amounts of debt capital."

As debt increases, so will leveraged buyouts (LBOs), according to Robertson. "We've seen a couple already, and there will be others. Stock prices are now too high compared to underlying value. Stocks are selling at 1½ to



Fuel prices peaked in May, but will still be six to eight cents per gallon over 1988 year-end levels.

HOUSEHOLD GOODS CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Allied	1988	383.63	6.48	2.91	0.61	98.3	6.99
Van Lines	1987	382.74	3.56	5.36	0.62	99.1	14.75
American	1988	27.21	0.26	0.22	0.05	99.0	18.17
Red Ball[6]	1987	27.64	0.41	0.41	0.05	98.5	43.45
Paul Arpin	1988	34.25	1.16	1.06	0.06	96.6	32.72
Van Lines	1987	31.32	1.38	1.24	0.05	95.6	41.87
Atlas Van	1988	195.91	11.40	0.03	0.31	94.2	-0-
Lines[7]	1987	182.59	10.58	0.56	0.29	94.2	0-
Bekins	1988	203.82	2.26	2.01	0.35	98.9	6.54
Van Lines[7]	1987	207.06	0.16	0.61	0.37	99.9	1.99
Burnham	1988	96.14	8.62	5.29	0.19	91.0	26.10
Service Co	1987	93.88	10.76	5.32	0.18	88.5	36.71
Global	1988	58.61	0.94	0.75	0.09	98.4	10.51
Van Lines[7]	1987	54.03	0.60	0.45	0.08	98.9	6.90
Graebel	1988	66.87	0.34	0.08	0.08	99.5	1.61
Van Lines	1987	62.12	1.12	0.48	0.07	98.2	9.85
Interstate	1988	14.24	0.97	1.15	0.02	93.2	26.98
Van Lines	1987	13.21	0.87	0.90	0.02	93.4	25.34
Mayflower	1988	309.81	11.29	7.64	0.53	96.4	11.32
Transit Co	1987	300.03	17.34	12.32	0.50	94.2	23.71
National	1988	23.51	0.19	0.42	0.04	99.2	53.55
Van Lines	1987	21.83	0.06	0.09	0.04	99.7	10.20
North American	1988	540.41	20.02	6.37	0.65	96.3	3.33
Van Lines[8]	1987	507.78	20.37	20.24	0.77	96.0	11.87
Pan American	1988	11.68	0.06	0.04	0.05	99.5	6.16
Van Lines[7]	1987	12.36	0.03	0.06	0.05	99.8	6.66
United	1988	425.62	0.90	0.16	0.68	99.8	0.47
Van Lines[7]	1987	400.95	(1.30)	(0.79)	0.70	100.3	-0-
Wheaton	1988	48.49	2.65	1.78	0.07	94.5	10.01
Van Lines	1987	44.61	2.51	1.12	0.07	94.4	9.60

[1]Net Carrier Operating Income – Difference between carrier operating revenues and carrier operating expenses.

[2]Net Income – After including fixed charges, non-operating income, income taxes, unusual or infrequent items, earnings attributable to discontinued segments, extraordinary items, and cumulative effect of changes in accounting principles.

[3]Revenue tons hauled reflects common and contract carrier service.

[4]Operating Ratio – Ratio of operating expenses to operating revenues.

[5]Return on Equity – Ratio of net income to shareholders' equity less tangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity.

[6]North American Van Lines, Inc. conducts household goods and general freight operations, both of which are substantial in scope. In this report, the operating revenues, net carrier operating income, revenue tons hauled and operating ratio for North American reflect household goods operations only. Since the ICC's reporting requirements do not include an allocation of net income for carriers which provide dual service, the net income and return on equity for this carrier reflect both household goods and general freight operations. Consequently, this report shows composite data for all carriers excluding North American Van Lines so that a better comparison can be made of data from household goods operations.

[7]Operating revenues, net carrier operating income, and operating ratio for Mayflower Transit Co., American Red Ball Transit, Atlas Van Lines, Inc., Bekins Van Lines Co., Global Van Lines, Inc., and United Van Lines, Inc. as shown above, reflect household goods operations only, but revenue tons hauled, net income, and return on equity represent the results from all their operations, including the transportation of general freight and household goods as well as income from household goods services (packing, crating, storage, etc.). The general freight operations of these carriers are insubstantial in comparison to their much larger household goods operations.

Source: Interstate Commerce Commission

two times book value. As carrier stock prices fall closer to book value, we'll see quite a few LBOs," says Robertson.

Financial indicators derived from the carrier's balance sheets and income statements are primarily the concern of investors and analysts. These indicators can also tell the shipper a great deal about the carrier's policies on reinvestment in new equipment, its long-term ability to stay in business, and perhaps its negotiating strength. Robertson cautions shippers to use indicators as a source for more questions. "Do not take them as absolute information," he says.

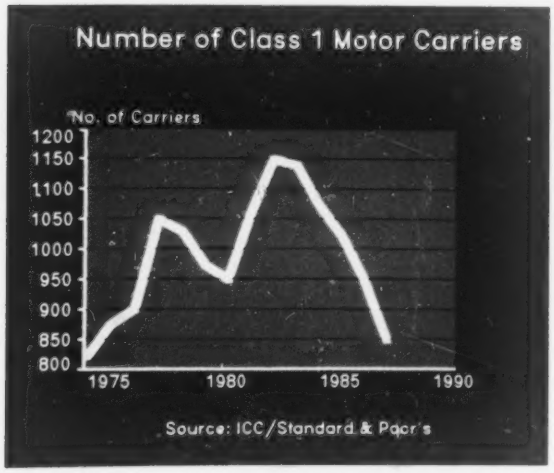
To determine if a carrier is investing enough in new equipment and terminals, watch the carrier's net property and equipment. It should be going up faster than inflation (see box at right).

The operating ratio continues to be the simplest indicator for shippers. The operating ratio shows pre-tax, pre-interest income and gives a quick picture of how well the carrier is running its business.

"A slightly more sophisticated indicator is cash flow, which includes depreciation and deferred taxes. This is probably the most important indicator of a carrier's health if watched over time. Downward movement means it's having trouble covering operating expenses," says Robertson.

Robertson also suggests looking at a carrier's claims and insurance costs. If either is going up or is higher than similar carriers, something is probably wrong with the way the company manages its business.

The most important message Robertson has for shippers is to be cautious of too good a price. "If a carrier is willing to take any negotiated price," says Robertson, "it means the carrier doesn't know its costs or its business. Very soon that carrier is going to be in trouble, and so will the shippers who use it." ■



Bankruptcies and mergers still thin the ranks of LTL and TL carriers with revenues over $5 million.

ARE YOUR CARRIERS REINVESTING? FINANCIAL INDICATORS TO WATCH

Healthy, service-oriented carriers keep their fleet, terminals and other equipment in tip-top shape. Marginal operators either cannot or will not make the investment in new plant and equipment. The financial indicators described below show the shipper which carriers are committed to providing competitive, quality service for the long haul. None of these financial indicators by itself, however, should be used to judge a carrier's reinvestment strategies. Carriers do not all operate in the same way. Some lease all their equipment, while others own theirs. Some own real estate associated with their businesses, while others do not. Some carriers are using more owner operators, while others continue to use only employee drivers. Thus, financial indicators for carrier reinvestment are not always comparable to industry averages or competitive carriers. Also, the most reliable numbers are those charted over a number of years. Special situations such as route expansions, buy-outs and financial restructurings are frequent in the motor carrier industry and can cause significant swings in year-to-year financial statistics. All these ratios are available from the carriers themselves. They should all be reported to the Interstate Commerce Commission, although not all carriers comply.

Depreciation expense: If this amount is rising, it indicates the carrier is investing in new equipment. If the rate is not increasing, the company could be living off old equipment. The rate of increase should be higher than the inflation rate.

Accumulated depreciation: This is another indicator for reinvestment. Ideally, the number should be around 50 percent of gross plant and equipment. If the figure reaches 70 percent or more, the carrier is not reinvesting.

Depreciation rate: Depreciation as a percent of revenue should run about five percent for general commodity carriers. For special commodity carriers using mainly owner operators, it can be as low as two percent. For tank truck and other capital-intensive carriers, the indicator should be seven or eight percent. Rates below these amounts indicate disinvestment or playing games with depreciation to make earnings look better.

Cash flow as a percent of net property and equipment: Cash flow is net income plus depreciation and deferred taxes. It is probably the best number for determining how well a carrier's operations are really doing. Cash flow will change, hopefully upward over time, but as a percent of net plant and equipment, the figure should remain fairly constant.